



To the shareholders of Novartis AG

# Invitation to the Annual General Meeting

**Date:** Tuesday, March 5, 2024, 10:00 CET (doors open at 8:30 CET)

**Place:** St. Jakobshalle, St. Jakobs-Strasse 390, 4052 Basel, Switzerland

## Agenda

### 1 Votes on the financial and non-financial reporting for the 2023 financial year

#### 1.1 Approval of the operating and financial review of Novartis AG, the financial statements of Novartis AG and the Group consolidated financial statements for the 2023 financial year

The Board of Directors proposes approval of the operating and financial review of Novartis AG, the financial statements of Novartis AG and the Group consolidated financial statements for the 2023 financial year.

##### *Explanation*

The Board of Directors is required by law to submit the operating and financial review, the financial statements and the Group consolidated financial statements for each financial year to the General Meeting for approval. The auditor KPMG AG, Basel, has audited the Group consolidated financial statements of the Novartis Group and the financial statements of Novartis AG and in the auditor's reports recommends approving the financial statements.

#### 1.2 Advisory vote on the non-financial report for the 2023 financial year

The Board of Directors proposes endorsement of the non-financial report for the 2023 financial year (advisory vote).

##### *Explanation*

With the introduction of Art. 964a of the Swiss Code of Obligations, Novartis is obliged to prepare a report on non-financial matters as of the 2023 financial year. Details on compliance with this obligation can be found in the publication Novartis in Society Integrated Report 2023, which is available in English at <https://www.novartis.com/reportinghub>. A German PDF version will also be available starting from February 19, 2024. Additionally, the report on non-financial matters must be submitted to the General Meeting for approval as part of a consultative vote. The vote comprises the sections specified on page 85 of the Novartis in Society Integrated Report 2023.

KPMG AG, Basel, has undertaken a limited assurance engagement on the performance indicators on pages 80-84 of the Novartis in Society Integrated Report 2023, and provided an independent assurance report and unqualified limited assurance conclusion on page 98.

### 2 Discharge from liability of the members of the Board of Directors and the Executive Committee

The Board of Directors proposes to discharge each of its members and each of the members of the Executive Committee for the 2023 financial year.

##### *Explanation*

With the discharge of the members of the Board of Directors and the Executive Committee, the Company as well as the approving shareholders declare that they will no longer hold accountable those responsible for events from the past financial year that were brought to the attention of the General Meeting.

### 3 Appropriation of available earnings of Novartis AG as per balance sheet and declaration of dividend for 2023

Balance brought forward	CHF	34 123 671 700
Reduction due to cancellation of treasury shares <sup>1</sup>	CHF	- 10 233 254 934
Special distribution by way of dividend in kind to effect the spin-off of Sandoz Group AG	CHF	- 4 769 299 720
Net income of Novartis AG	CHF	11 426 299 804
<b>Total available earnings at the end of the year</b>	<b>CHF</b>	<b>30 547 416 850</b>

The Board of Directors proposes appropriation of the available earnings as follows:

Gross dividend (before taxes and duties) of CHF 3.30  
per dividend-bearing share<sup>2</sup> of CHF 0.49 nominal value

CHF - 7 043 104 966

**Balance to be carried forward**

**CHF 23 504 311 884**

<sup>1</sup> Based on the Annual General Meeting resolution of March 7, 2023

<sup>2</sup> No dividend will be declared on treasury shares held by Novartis AG or its direct or indirect fully owned subsidiaries (excluding foundations).

If this proposal is approved, the dividend will be paid as from March 11, 2024. The last trading day with entitlement to receive the dividend is March 6, 2024. As from March 7, 2024, the shares will be traded ex-dividend.

#### *Explanation*

The distribution of a dividend requires a resolution by the General Meeting. The proposed appropriation of available earnings is in line with the dividend policy of Novartis.

## **4 Reduction of share capital**

The Annual General Meetings held on March 4, 2022, and March 7, 2023, authorized the Board of Directors, at its discretion, to repurchase shares as deemed appropriate from time to time up to a maximum of CHF 20 billion worth of shares until the 2025 and 2026 Annual General Meetings respectively.

In 2023, 87 547 255 shares were repurchased via the second trading line on the SIX Swiss Exchange under the authorization of March 4, 2022. These shares are to be cancelled and the share capital reduced accordingly. The legally required creditors' call has taken place, so that the capital reduction could be executed and registered in the commercial register immediately after the Annual General Meeting.

The Board of Directors proposes to reduce the share capital by CHF 42 898 154.95 (from CHF 1 115 964 098.48 to CHF 1 073 065 943.53) through cancellation of 87 547 255 own shares repurchased in 2023, whereas the reduction amount shall be set off against the balance brought forward.

Immediately after executing the capital reduction, the Board of Directors would amend Article 4 paragraph 1 of the Articles of Incorporation to read as follows:

The share capital of the Company is CHF 1 073 065 943.53, fully paid-in and divided into 2 189 930 497 registered shares. Each share has a nominal value of CHF 0.49.

## **5 Votes on compensation for the members of the Board of Directors and the Executive Committee**

Further information and explanations on the compensation can be found in the brochure Compensation Votes at the 2024 Annual General Meeting published on [www.novartis.com/agm](http://www.novartis.com/agm) and in the 2023 Compensation Report, available at [www.novartis.com/annualreport2023](http://www.novartis.com/annualreport2023).

### **5.1 Binding vote on the maximum aggregate amount of compensation for the Board of Directors from the 2024 Annual General Meeting to the 2025 Annual General Meeting**

The Board of Directors proposes approval of a maximum aggregate amount of compensation for the Board of Directors of CHF 8 780 000, covering the period from the 2024 Annual General Meeting to the 2025 Annual General Meeting.

### **5.2 Binding vote on the maximum aggregate amount of compensation for the Executive Committee for the 2025 financial year**

The Board of Directors proposes approval of a maximum aggregate amount of compensation for the Executive Committee of CHF 95 000 000 to be paid, promised or granted during, or in respect of, the 2025 financial year.

### **5.3 Advisory vote on the 2023 Compensation Report**

The Board of Directors proposes endorsement of the 2023 Compensation Report (advisory vote).

## **6 Re-elections of the Board Chair and the members of the Board of Directors**

The Board of Directors proposes the re-election of the current members of the Board of Directors (incl. the Board Chair), each until the end of the next Annual General Meeting.

### *Explanation*

Since the term of office of the Board Chair and the members of the Board of Directors ends with the conclusion of the Annual General Meeting on March 5, 2024, they each have to be re-elected by the General Meeting.

Information on the professional backgrounds of the current members of the Board of Directors as well as information on committee memberships can be found from page 128 in the Annual Report, available at [www.novartis.com/annualreport2023](http://www.novartis.com/annualreport2023) and on our website at [www.novartis.com/about/board-directors](http://www.novartis.com/about/board-directors).

### **6.1 Re-election of Joerg Reinhardt as member and Board Chair**

### **6.2 Re-election of Nancy C. Andrews**

### **6.3 Re-election of Ton Buechner**

### **6.4 Re-election of Patrice Bula**

### **6.5 Re-election of Elizabeth Doherty**

### **6.6 Re-election of Bridgette Heller**

### **6.7 Re-election of Daniel Hochstrasser**

### **6.8 Re-election of Frans van Houten**

### **6.9 Re-election of Simon Moroney**

### **6.10 Re-election of Ana de Pro Gonzalo**

### **6.11 Re-election of Charles L. Sawyers**

### **6.12 Re-election of William T. Winters**

### **6.13 Re-election of John D. Young**

## **7 Re-elections to the Compensation Committee**

The Board of Directors proposes the re-election of the current members of the Compensation Committee, each until the end of the next Annual General Meeting. The Board of Directors intends to redesignate Simon Moroney as chair of the Compensation Committee, subject to his re-election as a member of the Compensation Committee.

### *Explanation*

Since the term of office of the members of the Compensation Committee ends with the conclusion of the Annual General Meeting on March 5, 2024, they must be re-elected by the General Meeting. In accordance with Article 27 paragraph 4 of the Articles of Incorporation, the Board of Directors appoints the chair of the Compensation Committee.

### **7.1 Re-election of Patrice Bula**

### **7.2 Re-election of Bridgette Heller**

### **7.3 Re-election of Simon Moroney**

### **7.4 Re-election of William T. Winters**

## **8 Re-election of the auditor**

The Board of Directors proposes the re-election of KPMG AG as auditor for the financial year starting on January 1, 2024.

### *Explanation*

According to the Articles of Incorporation, the auditors are to be elected annually by the General Meeting. KPMG AG was first proposed for election at the 2022 Annual General Meeting after a tendering process in the year 2020, and the Board of Directors believes that KPMG AG is best suited to continue serving as our auditor.

## **9 Re-election of the Independent Proxy**

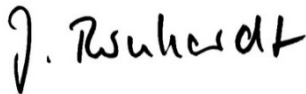
The Board of Directors proposes the re-election of lic. iur. Peter Andreas Zahn, attorney at law, Basel, as Independent Proxy until the end of the next Annual General Meeting.

### *Explanation*

The law requires that the Independent Proxy is elected annually by the General Meeting. Mr. Zahn meets the independence criteria, and the Board of Directors suggests that he should be re-elected for reasons of continuity.

For the Board of Directors

The Board Chair:



Joerg Reinhardt, Ph. D.

(The original German text is binding)

# Organizational notes

## No trading restriction

The registration of shareholders for voting purposes does not affect the trading of shares held by registered shareholders before, during or after a General Meeting.

## Documentation

The full Annual Report for the 2023 financial year (incl. the operating and financial review of Novartis AG, the financial statements of Novartis AG, the Group's consolidated financial statements, the Compensation Report as well as the auditor's reports) is available in English at [www.novartis.com/annualreport2023](http://www.novartis.com/annualreport2023).

The Novartis in Society Integrated Report 2023, which contains the non-financial report, is available online as a PDF in English, with a German version also being available from February 19, 2024. Details of our annual reports can be found at [www.novartis.com/reportinghub](http://www.novartis.com/reportinghub).

The brochure Compensation Votes at the 2024 Annual General Meeting is available in German and English at [www.novartis.com/agm](http://www.novartis.com/agm).

## Voting rights

Voting rights may only be exercised for shares registered with the right to vote in the share register on February 29, 2024.

## Admission tickets

Admission tickets and voting materials will be sent from February 23, 2024, to March 1, 2024, to shareholders who register for the Annual General Meeting. It will facilitate the preparations for the meeting if the enclosed registration form is returned as early as possible.

## Appointment of proxy

A shareholder can be represented by a legal representative or, by means of a written proxy, by a representative of choice. Furthermore, a shareholder may be represented by the Independent Proxy (lic. iur. Peter Andreas Zahn, attorney at law, St. Jakobs-Strasse 7, 4052 Basel, Switzerland). Proxies may only be appointed for one General Meeting.

## Web portal GVMANAGER-Live

Novartis offers its shareholders the use of GVMANAGER-Live to order their admission ticket, appoint a proxy, and give voting instructions.

Shareholders registered in the Novartis AG share register receive the login codes with the invitation to the General Meeting. In case of questions, please contact the Novartis Share Registry (Novartis AG, Share Registry, c/o Devigus Shareholder Services, Birkenstrasse 47, 6343 Rotkreuz, Switzerland, Tel: +41 41 798 48 48, E-mail: [novartis@devigus.com](mailto:novartis@devigus.com)).

## Proposals from shareholders on agenda items

Proposals from shareholders on agenda items are only permissible if they are put to the General Meeting by the shareholders themselves or by an individual proxy acting on their behalf. The Independent Proxy cannot act as individual proxy in this sense.

## Transportation

Shareholders are requested to use public transport since parking facilities at the St. Jakobshalle are limited.

## Simultaneous translations

The General Meeting will be held partially in German and in English with simultaneous translations into German, English and French. Headphones will be provided in the foyer of the St. Jakobshalle.

## Webcast

The General Meeting can be watched as live webcast with simultaneous translations into German and English at [www.novartis.com/agm](http://www.novartis.com/agm).



## 2024 Annual General Meeting

# Compensation Votes

Item 5 of the Agenda

(The original German text is binding)

# Dear Shareholder,

Our purpose is to discover new ways to improve and extend people's lives. We use science-based innovation to address some of society's most challenging healthcare issues. We discover and develop breakthrough treatments and find new ways to deliver them to as many people as possible. We also aim to provide a shareholder return that awards those who invest their money, time and ideas in our company.

As we work at Novartis to reimagine medicine, our unwavering focus on our strategy and purpose enabled us to continue to create value for patients, healthcare professionals, healthcare systems, employees, shareholders, and society.

From a compensation perspective, we continued to engage with shareholders and proxy advisors to gather feedback on the compensation system for the Executive Committee, and as well as our disclosure practices in the Compensation Report. We would like to thank you for the constructive dialogue.

As in prior years and in line with the Swiss Code of Obligations and our Articles of Incorporation, we are asking shareholders at the 2024 Annual General Meeting (AGM) to cast separate binding votes on the maximum aggregate amount of compensation for the Board of Directors and the maximum aggregate amount of compensation for the Executive Committee, and an advisory (non-binding) vote on our 2023 Compensation Report as described in this brochure.

## **Vote 5.1: Binding vote on the maximum aggregate amount of compensation for the Board of Directors from the 2024 Annual General Meeting to the 2025 Annual General Meeting**

The Board of Directors proposes approval of a maximum aggregate amount of compensation for the Board of Directors of CHF 8 780 000, covering the period from the 2024 Annual General Meeting to the 2025 Annual General Meeting.

## **Vote 5.2: Binding vote on the maximum aggregate amount of compensation for the Executive Committee for the 2025 financial year**

The Board of Directors proposes approval of a maximum aggregate amount of compensation for the Executive Committee of CHF 95 000 000 to be paid, promised or granted during, or in respect of, the 2025 financial year.

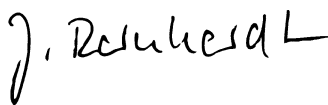


**Vote 5.3: Advisory vote on the 2023 Compensation Report**

The Board of Directors proposes endorsement of the 2023 Compensation Report (advisory vote).

This brochure provides information on the three compensation-related votes. Further details regarding the compensation systems for our Board and Executive Committee members are set out in the 2023 Annual Report.

On behalf of the Novartis Board of Directors,



**Joerg Reinhardt**  
Board Chair



**Simon Moroney**  
Compensation Committee Chair

# Vote 5.1

Binding vote on the maximum aggregate amount of compensation for the Board of Directors from the 2024 Annual General Meeting to the 2025 Annual General Meeting, i.e. CHF 8 780 000

The Board Chair and other Board member annual fee rates remain unchanged compared to last year.

Board members receive only fixed compensation. They receive no variable or performance-based compensation, no share options and no additional fees for attending meetings.

Board members do not receive any company pension, insurance or other benefits. Fees paid are at least 50% in Novartis shares (up to 100% at the option of each Board member) and the remainder is paid in cash. All fees reflect our governance structure and the responsibilities of the Board, in accordance with applicable laws and our own regulations. Our benchmarking review confirms that aggregate Board compensation aligns with the current levels of other large Swiss companies. No changes are therefore proposed to the Board fee structure or quantum.

## Board member annual fees payable for the period from the 2024 AGM to the 2025 AGM

CHF 000s	Fees for period from the 2024 AGM to the 2025 AGM
Board Chair	3 800
Board membership	280
Vice-Chair	50
Lead Independent Director	20
Chair of the Audit and Compliance Committee <sup>1</sup>	130
Chair of the Compensation Committee <sup>1</sup>	90
Chair of other committees <sup>1,2</sup>	70
Membership of the Audit and Compliance Committee <sup>1</sup>	70
Membership of the other committees <sup>1,3</sup>	40

<sup>1</sup> Additional committee fees for functions of Board members in committees, i.e. chairpersonship/membership (not applicable for the Board Chair)

<sup>2</sup> Applies to the Governance, Sustainability and Nomination Committee; the Science and Technology Committee; and the Risk Committee.

<sup>3</sup> Applies to the Compensation Committee; the Governance, Sustainability and Nomination Committee; the Science and Technology Committee; and the Risk Committee

**Amount requested for the period from the 2024 AGM to the 2025 AGM**

The amount shown in the table below assumes that all proposed Board members (and Compensation Committee members) will be elected at the 2024 AGM. The total compensation amount is slightly higher than the amount requested in the previous term. This is due to the proposed appointment of John Young as Chair of the Science & Technology Committee (STC) from the 2024 AGM, thereby increasing his Board fee as per the approved Board compensation fee structure. Prior to this, the Chair of the STC was held by the Board Chair, who received no additional fee for this role.

CHF	Approved for: 2023 AGM – 2024 AGM	Requested for: 2024 AGM – 2025 AGM
Board Chair	3 805 000	3 805 000
Other Board members	4 945 000	4 975 000 <sup>1</sup>
<b>Total amount of compensation for the members of the Novartis Board of Directors</b>	<b>8 750 000</b>	<b>8 780 000<sup>2</sup></b>

<sup>1</sup> The amount will be payable in accordance with the fees for Board membership and the fees for committee chair and membership roles, as detailed on page 4.

<sup>2</sup> The total includes an estimated amount of CHF 30 051 mandatory employer contributions for all Board members payable by Novartis to Swiss governmental social security systems. This amount is part of estimated total employer contributions of approximately CHF 378 131 which is not included above, and provides a right to the maximum future insured government pension benefit for the Board member. These estimates exclude potential changes to governmental social security rates.

The total compensation earned by the Board from the 2023 AGM to the 2024 AGM is CHF 8 609 573 which is below the CHF 8 750 000 approved by shareholders at the 2023 AGM.

# Vote 5.2

Binding vote on the maximum aggregate amount of compensation for the Executive Committee for the 2025 financial year, i.e. CHF 95 000 000

The Executive Committee (ECN) compensation system enables us to succeed in our mission and retain the best global talent. It is aligned with our business strategy and shareholders' interests, and it supports our aspiration to become the most valued and trusted medicines company in the world.

## The ECN compensation system

	Fixed pay and benefits		Variable pay – performance-related	
	Annual base salary	Pension and other benefits	Annual Incentive	Long-Term Incentive awards
<b>Purpose</b>	Reflects responsibilities, experience and skill sets	Provide retirement and risk insurances (tailored to local market practices / regulations)	Rewards performance against short-term financial and strategic objectives, and Values and Behaviors <sup>1</sup>	Rewards long-term shareholder value creation and innovation in line with our strategy
<b>Form of payment</b>	Cash	Country / individual specific and aligned with other employees	50% cash 50% equity <sup>2</sup> deferred for three years (or 70% cash and 30% equity deferred if shareholding requirement is reached before performance period starts)	Equity
<b>Performance cycle</b>	–	–	One year	Three years
<b>Performance measures</b>	–	–	Balanced scorecard comprising: • Financial measures (60%) <sup>3</sup> • Strategic objectives (40%) <sup>4</sup>	• 3 <sup>rd</sup> party sales CAGR <sup>5</sup> (25%) • Core operating income CAGR (25%) • Innovation (25%) • Relative TSR (25%) vs. global sector peers <sup>6</sup>

<sup>1</sup> The Novartis Values and Behaviors are also a key component of the Annual Incentive and are embedded in our culture. As such, members of the Executive Committee are expected to demonstrate these to the highest standard.

<sup>2</sup> Executive Committee members may elect to receive up to 100% of their Annual Incentive in equity instead of cash.

<sup>3</sup> Financial measures are 3<sup>rd</sup> Party Sales (24%), Core Operating Income (18%) and Free Cash Flow (18%).

<sup>4</sup> Strategic objectives are aligned with the most important priorities in any performance year.

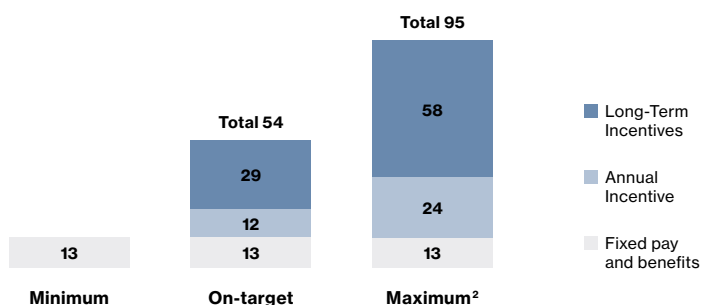
<sup>5</sup> CAGR = compound annual growth rate.

<sup>6</sup> The selected peer group for relative TSR (total shareholder return) consists of 15 companies (including Novartis) consistent with our global healthcare peer group, as follows: AbbVie, Amgen, AstraZeneca, Biogen, Bristol-Myers Squibb, Eli Lilly & Co., Gilead Sciences, GlaxoSmithKline, Johnson & Johnson, Merck & Co., Novartis, Novo Nordisk, Pfizer, Roche and Sanofi.

### Proposed total maximum compensation to be paid, promised or granted to the Executive Committee for the next financial year, i.e. 2025

The table below presents a breakdown of the expected minimum, target and maximum 2025 total compensation for the members of the Executive Committee, based on the current composition. This is an increase of 5.6% compared to the 2023 AGM due to the target pay increases to the CEO (as outlined later in this brochure) and selected Executive Committee members who are new to role and have demonstrated strong performance during their tenure. Further details can be found in our 2023 Compensation Report.

(in CHF million, rounded)<sup>1</sup>



<sup>1</sup> Two members are to be paid in USD. The exchange rate used is CHF 1.00 = USD 0.8986, and the proposed amount excludes any currency exchange rate fluctuation between the time of the release of this brochure and December 31, 2024. The on-target and maximum amounts also exclude any share price evolution and dividend equivalents earned over the three-year performance cycle.

<sup>2</sup> The proposed total maximum compensation amount includes service costs of pension and other benefits such as a company car, tax and financial planning services, as well as international assignment benefits where applicable in accordance with standard company policies. It also includes an amount of approximately CHF 120 685 for estimated mandatory employer contributions for all Executive Committee members payable by Novartis to governmental social security systems. This amount is part of an estimated total employer contributions of approximately CHF 5 009 409 which is not included above, and provides a right to the maximum future insured government pension benefit for the Executive Committee member.

**Minimum:** Only fixed pay and benefits are payable. Variable compensation is not payable, assuming none of the performance criteria have been met.

**On-target:** Fixed pay and benefits together with variable compensation at 100% of target for both the Annual Incentive and Long-Term Incentive, assuming all members of the Executive Committee have met their performance targets on each incentive plan.

**Maximum:** The “maximum” amount assumes that all performance targets for both the Annual Incentive and Long-Term Incentive are at the maximum of 200%. The maximum payout at 200% of target for all Executive Committee members on an aggregated basis has never occurred at Novartis.

The value of Long-Term Incentive awards is determined at the time the shares are granted (the number of shares is determined by dividing the value at grant by the share price on the grant date). This excludes any share price evolution over the vesting period and any dividends that are paid each year on shares or dividend equivalents that accrue during the vesting period of the Long-Term Incentive awards.

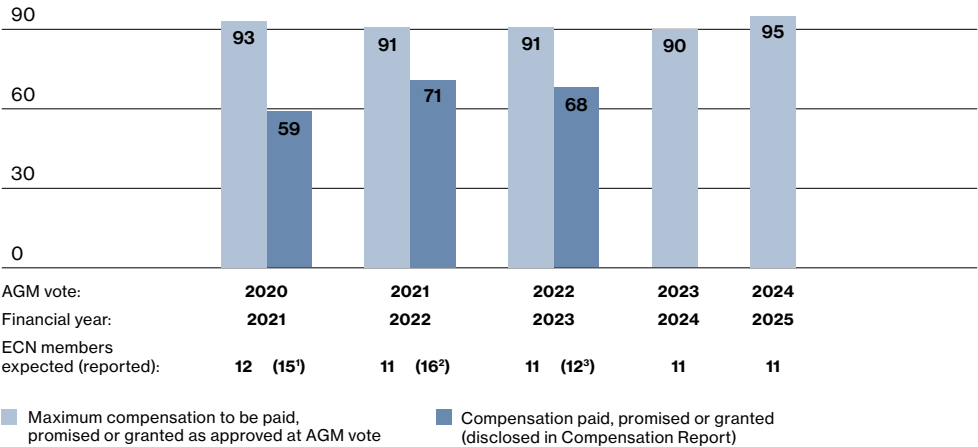
Evolution of Executive Committee compensation

The proposed total maximum compensation to be paid, promised or granted to the members of the Executive Committee for 2025 is CHF 95 million.

The chart below shows the maximum amounts approved by shareholders from the 2020 AGM to the 2023 AGM, and to be approved at the 2024 AGM. In addition, it shows for comparison purposes the compensation paid, promised or granted to the members of the Executive Committee for the 2022 to 2024 financial years.

Evolution of ECN compensation chart

(in CHF million, rounded)



<sup>1</sup> Includes 12 active Executive Committee members and 3 members who left or resigned during 2021.  
<sup>2</sup> Includes 11 active Executive Committee members, 4 members who left or resigned during 2022, and 1 member who had stepped down due to planned Sandoz spin-off.  
<sup>3</sup> Includes 11 active Executive Committee members and 1 member who left or resigned during 2023.

# Vote 5.3

## **Advisory vote on the 2023 Compensation Report**

The purpose of the Compensation Report is to inform shareholders of our Board and Executive Committee compensation systems, policies and practices, as well as the compensation paid to members of the Board and the Executive Committee. The advisory vote gives shareholders the opportunity to express their views on the Board and Executive Committee compensation programs and systems as well as compensation disclosures and decisions, outlined in the 2023 Compensation Report.

Our 2023 Compensation Report has been reorganized to enhance its readability. For this reason, a detailed presentation of executive compensation outcomes can be found in the first part, and an explanation of our underlying compensation philosophy, system and governance in the second part. The Board compensation and governance information is in the final section. We trust that you will find this new structure more accessible. In response to shareholder feedback, we provide more disclosure and transparency in the CEO balanced scorecard, with an increased focus on the link between pay and performance.

Aligned with our evolution from an organization with separate divisions each with a separate leader into a focused medicines company, we disclose target pay for the CEO (as the highest paid), the CFO and the Presidents of our International and US organizations individually, while all other ECN target pay is aggregated. The Compensation Committee believes that this approach is more commercially appropriate while also maintaining our disclosure at the upper end of Swiss practice. Notwithstanding this change, we continue to disclose the CEO and ECN realized pay, as well as any significant individual pay increases, buyouts and exit packages.

As part of our annual review, we identified that our existing CEO compensation practices placed us in the lowest quartile versus global healthcare peers. We engaged extensively with our largest shareholders and proxy advisors to collect feedback about our executive compensation framework, in particular the challenges that European companies face in the competition for talent. Following this engagement and the overall positive nature of the feedback received, the Compensation Committee and the Board of Directors agreed that it is necessary to take a global perspective to attract and retain the best talent at the top of the organization, and that the Company could be more competitive in this regard. As a result, and while still mindful of the expectations of European-based investors and proxy advisors, we made some changes to our compensation system, effective January 1, 2024.

We aspire to continue growing our global business, with a particular focus on the US market. Aligned with this aspiration and our compensation philosophy, the Board of Directors decided to adjust the CEO target pay in a way that preserves alignment with shareholders. Specifically, we increased the LTPP target, which is fully performance driven based on 3-year forward-looking targets, from 325% to 400% as a percentage of annual base salary. The additional 2-year holding period for the CEO remains unchanged, thereby restricting the equities from sale for 5 years. The Compensation Committee will continue to set stretch targets, with a robust assessment at the end of the cycle. No changes were made to the CEO base salary (beyond ordinary salary increases received by other Swiss employees) or the Annual Incentive target. This is the first significant increase in CEO target pay since 2019 and places his target compensation just above the lowest quartile of global healthcare peers.

In addition, we decided to make changes with regard to the Annual Incentive metric, the Share ownership requirements and the Annual Incentive deferral. For more details, please see our 2023 Compensation Report.

# **We reimagine medicine to improve and extend people's lives.**

We use science-based innovation to address some of society's most challenging healthcare issues. We discover and develop breakthrough treatments and find new ways to deliver them to as many people as possible. We also aim to provide a shareholder return that rewards those who invest their money, time and ideas in our company.